GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1338
ANSWERED ON:07.03.2008
SESSMENT ON INDIAN ECONOMY
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Will the Minister of FINANCE be pleased to state:

(a): whether the International Monetary Fund (IMF) has made assessment on the Indian Economy;

(b): if so, the details thereof;

(c): whether IMF has requested for fiscal consolidation and structural reforms to achieve inclusive` growth in the face of growing income inequalities while maintaining 8.75% growth for 2007-08; and

(d): if so, the response of the Government on the assessment of IMF?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Under Article IV of the IMF`s Articles of Agreement, the IMF holds bilateral consultations with individual member countries, usually every year, to review their economic status. IMF team visits the country, collects economic and financial information, and discusses with authorities the country`s economic developments and policies. The IMF team prepares a report, which forms the basis for discussion by the IMF Executive Board and at the conclusion of the discussion, the Managing Director / Chairman of the Board meeting, summarizes the views of Executive Directors. This summary is transmitted to the country`s authorities in the form of Public Information Notice (PIN) which is also made available at IMF website www.imf.org. The most recent IMF Article IV Consultations with India was held during October 29 to November 12, 2007 wherein IMF Staff held consultation meetings with officials of Reserve Bank of India in Mumbai, officials of Government of India in New Delhi and with private sector in Mumbai and Delhi.

(c) & (d): The IMF has lauded India`s outstanding economic performance with robust GDP growth averaging about 8.5 percent per annum during the last four years and its success in reducing poverty and has attributed this to sound macroeconomic policies and structural reforms. In its assessment, IMF has stated that one of the key challenges facing the authorities is to `sustain rapid and inclusive growth`. For meeting the challenges IMF has endorsed India`s policy priorities in this regard, which include managing financial globalization and tackling supply constraints through an enhanced monetary framework, financial sector development, fiscal consolidation, and removal of structural bottlenecks. Amongst other issues, IMF has concurred with the priorities identified in the government`s `inclusive growth` agenda which include: bridging infrastructure gaps with private sector participation, ensuring access to social services, and promoting a competitive environment that supports private sector investment and job creation.However, while the IMF assesses economic performance of member countries and gives suggestions, it is not mandated to make requests or give directions. Therefore, question of the Government formally responding to the assessment does not arise.